

---

---

**Introduced by Senator Burton**

February 19, 2004

---

---

An act to add Section 15627 to, and to repeal Part 10 (commencing with Section 15700) of Division 3 of Title 2 of, the Government Code, and to add Section 20.5 to the Revenue and Taxation Code, relating to governmental organization.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1424, as introduced, Burton. Governmental reorganization.

Existing law provides for the establishment of the Franchise Tax Board and prescribes its various powers and duties regarding the administration of state personal income taxes and corporation franchise and income taxes.

This bill would abolish the Franchise Tax Board, and would provide for the transfer of its powers and duties to the State Board of Equalization, operative January 1, 2006. The bill would require the State Board of Equalization to submit a report to the Governor and the Legislature, on or before June 30, 2005, regarding the board's assumption of the duties of the Franchise Tax Board.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 15627 is added to the Government  
2 Code, to read:  
3 15627. (a) The board is the successor to, and is vested with,  
4 all of the duties, powers, purposes, responsibilities, and  
5 jurisdiction of the Franchise Tax Board. However, the statutes and



1 laws under which the Franchise Tax Board existed and all laws  
2 prescribing the duties, powers, purposes, responsibilities, and  
3 jurisdiction of the Franchise Tax Board, together with all lawful  
4 rules and regulations established thereunder, are expressly  
5 continued in force.

6 (b) “Franchise Tax Board” when used in any statute, law, rule,  
7 or regulation now in force, or that may hereafter be enacted or  
8 adopted, means the board.

9 (c) Any action to which the Franchise Tax Board is a party on  
10 and before the January 1, 2006, will not be abated by operation of  
11 law and shall continue in the name of the State Board of  
12 Equalization, which shall be substituted for the Franchise Tax  
13 Board by the court in which the action is pending. The substitution  
14 of parties will not affect the rights of the parties to the action.

15 SEC. 2. Part 10 (commencing with Section 15700) of  
16 Division 3 of Title 2 of the Government Code is repealed.

17 SEC. 3. Section 20.5 is added to the Revenue and Taxation  
18 Code, to read:

19 20.5. Any reference hereafter in this code to the ‘Franchise  
20 Tax Board’ shall be deemed a reference to the board.

21 SEC. 4. Sections 1 to 3, inclusive, and Sections 6 and 8 of this  
22 act shall become operative on January 1, 2006.

23 SEC. 5. (a) It is the intent of the Legislature in enacting this  
24 act to provide a governmental organization that will ensure  
25 centralized, effective, efficient, and impartial revenue collection,  
26 administration, and enforcement for the State of California.

27 (b) In order to effectuate this purpose, it is the intent of the  
28 Legislature to consolidate the powers and duties of the Franchise  
29 Tax Board into the State Board of Equalization, and thereby  
30 streamline the functions previously performed by both of those  
31 agencies.

32 (c) It is the intent of the Legislature that this consolidation shall  
33 be carried out in the least disruptive manner so as to ensure that tax  
34 collections are not adversely affected.

35 (d) It is the intent of the Legislature that the consolidation shall  
36 progress as expeditiously as is feasible and economical.

37 SEC. 6. The executive officer of the State Board of  
38 Equalization, with the approval of the members of the board, shall  
39 organize its new responsibilities, formerly those of the Franchise  
40 Tax Board, in any manner as he or she deems necessary for the

proper conduct of the board's consolidated revenue collection, administration, and enforcement functions.

SEC. 7. On or before June 30, 2005, the State Board of Equalization shall submit a report to the Governor and the Legislature on the plan for, and the progress of, the board's assumption of the duties of the Franchise Tax Board. The report shall include recommendations for legislation that would be necessary to more effectively achieve the efficiencies and purposes intended by this act and shall include, but not be limited to, the following:

(a) A strategic plan to facilitate the orderly assumption by the board of all duties and responsibilities of the Franchise Tax Board, including the identification of critical issues, including, but not limited to, the consolidation of computer systems, telecommunications, and office space.

(b) Identification of those functions that are readily conducive to consolidation or centralization into the board, including, but not limited to, administrative functions, document processing, remittance cashing, public service, collection, and physical equipment and facilities.

(c) Identification of administrative functions that, because of statutory conflicts or inconsistent administrative processes of the Franchise Tax Board and the State Board of Equalization, cannot be readily consolidated into the board.

SEC. 8. The civil service staff of the Franchise Tax Board shall be transferred to the State Board of Equalization in accordance with the provisions of Section 19050.9 of the Government Code.

SEC. 9. No contract, lease, license, or any other agreement to which the State Board of Equalization or the Franchise Tax Board is a party shall be void or voidable by reason of this act, but shall continue in full force and effect, with the State Board of Equalization assuming all of the rights, obligations, and duties of the Franchise Tax Board. That assumption by the State Board of Equalization may not in any way affect the rights of the parties to the contract, lease, license, or agreement.

SEC. 10. On and after January 1, 2006, the unencumbered balance of all money available for expenditure by the Franchise Tax Board in carrying out any functions transferred to the State Board of Equalization by this act shall be made available for the

- 1 support and maintenance of the State Board of Equalization. All
- 2 books, documents, records, and property of the Franchise Tax
- 3 Board shall be transferred to the board.

O

